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JUL 27 1955

Honorable Rowland T. Hughes
Director, Bureau of the Budget
Washington 25, D. C.

Reference: Bureau of the Budget
Bulletin No. 15-5 of
March 4, 1955

Dear Mr. Hughes:

As requested, we have reviewed the report issued by the Commission on Organization of the Executive Branch of the Government, entitled "Budget and Accounting". The following comments are made on the report:

Recommendation No. 1 is based on the opinion that the Bureau of the Budget work would be facilitated and agencies assisted by having representatives placed within the Agency and by rotating such representatives from time to time. Due to the sensitive character of the operations of this Agency, we do not agree with the proposed policy to rotate personnel in and out of the Agency. Any individuals regularly assigned to the Agency would be under the same security control as regular Agency employees and would be limited to operational information based upon the "need-to-know" principle.

Recommendation No. 2 proposes the establishment of a policy that the executive agencies report to the Bureau of the Budget on the conduct of their operations and that the Bureau would prepare an annual report on the performance of the executive branch as a whole for the President. This Agency now reports directly to the President in his capacity as Chairman of the National Security Council. Because of security considerations, any substantive report that would identify Agency operations could not be consolidated with reports of other agencies in an effective manner. The budget, as now prepared, includes reports on the accomplishments and objectives of various operations to the maximum extent which security permits.

The question of cost and accrued expenditure budgeting is the basis of recommendations Nos. 3, 6, 7, and 14. These recommendations present broad policy questions which, it is believed, require considerable study before an evaluation can be made of the impact of the proposals.

It is believed that the problems resulting in each agency differ somewhat, and we are not convinced that the installation of a cost system will generally solve the Government's budgeting and accounting problems. Thus, it is suggested that thorough consideration be given to the implications of these proposals before any policies are established in the direction of cost or accrued expenditure budgeting throughout the Government.

This Agency concurs in recommendations Nos. 4 and 5 which suggest that performance budgeting be adopted or strengthened. Although considerable progress in performance budgeting has been made, further improvement in the recommended areas is essential.

This Agency has substantially complied with recommendation No. 11 and is in general agreement with it. The Agency, however, does not agree with the proposal in recommendation No. 12. Due to the security nature of the activities of this Agency, the selection and training of all accounting personnel should be the full responsibility of the Agency.

Recommendation No. 13 is generally agreed to, although it is not believed that it would be practical to finance all operating units from a single allotment account for each appropriation involved. Certainly, a simplification of the allotment pattern is an objective for which the Government should strive.

The Agency has been concerned with the questions involved in recommendation No. 16 which proposed the installation of monetary property accounting as an integral part of the accounting system. This is a policy which has been adopted by this Agency and some progress has been made towards its accomplishment.

The Agency agrees with recommendations Nos. 17 and 18 concerning the settlement of obligations of prior fiscal years and hopes that it will be possible to obtain the necessary legislation to accomplish the objectives of these recommendations.

The problems of financial liability of accountable officers has caused considerable difficulty in the financial organizations of the Federal Government. It is believed that recommendation No. 19 granting authority to the Comptroller General to relieve accountable officers of financial liability, except where losses result from gross negligence and fraud, would solve many of the problems involving accounting officers of the Government.

Recommendations Nos. 21 and 22 are not of primary concern to the Agency except for the possible impact on the security of Agency accounts. From the information contained in the Commission report, however, it is not possible to determine whether the security of Agency accounts would be affected.

We have no comments to make on the remaining recommendations, Nos. 8, 9, 10, 15, 20, 23, 24, and 25.

Very truly yours,

15/
L. R. White
Deputy Director

COMP/CNM/har (20 July 1955)

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